

Message Text

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C O N F I D E N T I A L STATE 299918 TOSEC 320157

FOR SONNENFELDT AND HARTMAN

FOLLOWING REPEAT LISBON 8452 ACTION SECSTATE, INFO BONN, LONDON,
MADRID, MAPUTO, MOSCOW, OPORTO, PARIS, NATO, DIA, CINCLANT,
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QTE: C O N F I D E N T I A L LISBON 8452

H PASS TO SENATOR BROOKE

E.O. 11652: XGDS-4

TAGS: PINT, PO

SUBJ: SENATOR BROOKE'S MEETINGS IN PORTUGAL

SUMMARY: DURING DEC 4-7 VISIT TO PORTUGAL, SENATOR
BROOKE AND PROFESSIONAL STAFFER ROSSITER MET WITH
PRESIDENT EANES, PRIME MINISTER SOARES, FOREIGN MINISTER
MEDEIROS FERREIRA, OTHER GOVERNMENT, AND OPPOSITION LEADERS.
PRESIDENT EANES EMPHASIZED THE IMPORTANCE OF ECONOMIC
RECOVERY AND FOREIGN ASSISTANCE FOR POLITICAL STABILITY.
HE BELIEVED NEW EQUIPMENT WAS CRITICAL TO HIS PROGRAM
TO RETRAIN AND REORGANIZE THE ARMED FORCES. PRIME
MINISTER SOARES BELIEVED PORTUGAL WILL HAVE GONE
FAR TOWARD CONSOLIDATING DEMOCRACY IN PORTUGAL
IF IT CAN ACCELERATE ECONOMIC RECOVERY, JOIN THE
COMMON MARKET, AND COUNT ON U.S. FINANCIAL
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SUPPORT. FINANCE MINISTER MEDENA CARREIRA URGED

THAT FOREIGN ASSISTANCE TAKE INTO ACCOUNT PORTUGAL'S
STILL DELICATE POLITICAL SITUATION. HE BELIEVED

THE PROVISION OF GOLD INSTEAD OF CASH ON THE SHORT-TERM LOAN WOULD BE EXPLOITED TO PROVOKE POLITICAL AND SOCIAL UNREST. PSD LEADERS MADE CLEAR THEIR OPPOSITION TO THE SOARES GOVERNMENT HAD HARDENED. THEY HAVE VIRTUALLY DECIDED TO VOTE AGAINST THE GOVERNMENT BUDGET WITH THE INTENTION OF PRESENTING THE PRESIDENT WITH A CRISIS. END SUMMARY.

1. MEETING WITH PRESIDENT EANES: ON DEC 6 SENATOR BROOKE, PROFESSIONAL STAFFER ROSSITER, AND AMBASSADOR MET FOR AN HOUR WITH PRESIDENT EANES. EANES KNOWING OF BROOKE'S INTEREST IN PORTUGAL AND SUPPORT FOR AMERICAN POLICY, WAS UNUSUALLY FRANK AND FORTHCOMING. THE PRESIDENT DESCRIBED HIS RELATIONS WITH SOARES AS GOOD BUT NOTED THE GOVERNMENT DID NOT HAVE THE OPERATIONAL EFFECTIVENESS HE MIGHT LIKE IT TO HAVE. PRESIDENT EANES EMPHASIZED THAT POLITICAL STABILITY DEPENDS ON ECONOMIC RECOVERY, AND THIS DEPENDS IN TURN ON THE EFFECTIVENESS OF A GOP AUSTERITY PROGRAM AND SUPPORT FROM ABROAD. HE EXPRESSED APPRECIATION FOR AMERICAN WILLINGNESS TO HELP AND EMPHASIZED THAT THE PROPOSED CONSORTIUM LOAN WOULD BE USED FOR INVESTMENT, NOT CONSUMPTION. HE DESCRIBED THE ARMED FORCES AS BASICALLY CONSERVATIVE WITH A RESIDUE OF BITTERNESS AGAINST THE COMMUNISTS. THE PRESIDENT SAID THE PROVISION OF NEW MILITARY EQUIPMENT WAS A CRITICAL PSYCHOLOGICAL STIMULUS IN HIS PROGRAM TO RETRAIN AND REORGANIZE THE ARMED FORCES. IT IS IMPORTANT TO THE STABILITY AND COHESION OF THE ARMY THAT THE NATO ALLIES HELP PORTUGAL WITH THE NECESSARY EQUIPMENT. SIMILARLY, THE PROVISION OF THREE C-130'S FROM THE U.S. WILL BE EXTREMELY IMPORTANT IN SUPPLYING NEEDED PSYCHOLOGICAL SUPPORT FOR THE AIR FORCE. (OTHER POINTS IN EANES MEETING WERE REPORTED SEPTEL.)

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2. MEETING WITH PRIME MINISTER SOARES: SOARES SAID THAT THE CRITICAL PROBLEM WAS TO PROVIDE THE ECONOMIC BASE FOR POLITICAL STABILIZATION. HE NOTED THAT THE GOVERNMENT HAD TAKEN MANY STRONG MEASURES WITHOUT THE PREDICTED COMMUNIST ATTACK ON THE GOVERNMENT. SOARES SAID A CONFIDENTIAL POLL HAD REVEALED A MAJORITY OF THE PEOPLE WERE PLEASED WITH THE WAY THE GOVERNMENT IS MOVING. IF THE GOP CAN ACCELERATE ECONOMIC RECOVERY, JOIN THE COMMON MARKET, AND COUNT ON U.S. FINANCIAL SUPPORT, IT WILL HAVE PASSED THROUGH THE WORST STAGE ON THE ROAD TO CONSOLIDATING DEMOCRACY IN PORTUGAL. SOARES NOTED THE IMPORTANCE

TO THIS PROCESS OF THE EFFORTS TO STABILIZE
THE MILITARY AND INTEGRATE THEM INTO EUROPE
THROUGH THE CREATION OF THE NATO-LINKED BRIGADE.
(CONVERSATION WITH SOARES COVERED MORE FULLY IN
SEPTEL).

3. MEETING WITH FINANCE MINISTER AND CENTRAL
BANK GOVERNOR: AT DINNER MEETING, FINANCE MINISTER

MEDINA CARREIRA AND CENTRAL BANK GOVERNOR SILVA
LOPES UNDERScoreD THE URGENCY OF PORTUGAL'S
FINANCIAL CRISIS. MEDINA CARREIRA SAID GOP HAD
MADE SOCIAL AND POLITICAL PROGRESS, BUT EVERYTHING
NOW HINGED ON RESOLUTION OF ECONOMIC PROBLEMS.
SOARES HAD SHOWN COURAGE AND DETERMINATION IN
INSTITUTING POLITICAL DEMOCRACY; HE WAS NOW
PREPARED TO SHOW SAME COURAGE AND DETERMINATION
IN FOLLOWING POLICIES NECESSARY FOR ECONOMIC
RECOVERY. WHILE FUNDAMENTAL RESPONSIBILITY RESTS
WITH PORTUGUESE, GOP RECOGNIZED IT COULD NOT
OVERCOME ECONOMIC DIFFICULTIES AND STILL MAINTAIN
DEMOCRATIC STRUCTURE WITHOUT SUBSTANTIAL FOREIGN
ASSISTANCE. MEDINA CARREIRA STRONGLY URGED THAT
FOREIGN ASSISTANCE TAKE INTO ACCOUNT DELICATE
POLITICAL SITUATION WHICH STILL EXISTS IN
PORTUGAL.

FOR EXAMPLE, THE PROVISION OF GOLD
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INSTEAD OF CASH ON THE SHORT-TERM LOAN COULD
CREATE SERIOUS POLITICAL PROBLEMS. THE GOP
WOULD HAVE TO SELL GOLD, AND A PSYCHOLOGICAL
CLIMATE EXISTED IN PORTUGAL IN WHICH THE SALE OF
GOLD WOULD BE EXPLOITED TO CREATE SOCIAL AND
POLITICAL UNREST. PORTUGAL'S PEOPLE HAVE BEEN
TAUGHT THAT GOLD IS A NATIONAL TREASURE. THEY WOULD
ALSO FIND IT DIFFICULT TO UNDERSTAND WHY THE USG
WAS GIVING THEM THE ONE THING THEY SEEM TO HAVE
A LOT OF, INSTEAD OF GIVING THEM THAT WHICH THEY
LACK -- CASH. MEDINA CARREIRA AND SILVA LOPES
DESCRIBED TO SENATOR BROOKE THE MEASURES GOP
INTENDED TO TAKE TO CONTAIN INFLATION AND
STIMULATE PRODUCTIVE INVESTMENT. THEY ALSO
DESCRIBED MEASURES TO STIMULATE LABOR
PRODUCTIVITY, CUT EXPENDITURES, AND ABSORB
PRIVATE SAVINGS.

4. PSD: PSD LEADERS SA CARNEIRO, SOUSA FRANCO
AND SERVULO CORREIA LEFT NO DOUBT THAT PSD
OPPOSITION TOWARDS THE SOARES GOVERNMENT HAD
HARDENED. THEY CLAIMED THAT THE GOVERNMENT

LACKED OPERATIONAL EFFECTIVENESS AND A COHERENT POLICY; IN ADDITION THE SOCIALIST PARTY IS PLAGUED BY INTERNAL DISSENSION, AND CONSIDERABLE BEHIND-THE-SCENES COLLABORATION EXISTS BETWEEN THE PS AND THE PCP AT THE WORKING LEVEL AND IN THE ASSEMBLY. THE PSD, THEY SAID, HAD VIRTUALLY DECIDED TO VOTE AGAINST THE GOVERNMENT'S BUDGET. THIS WILL CONFRONT PRESIDENT WITH A CRISIS -- CLEARLY THE PSD'S INTENT. SA CARNEIRO ARGUED THAT CONTINUATION OF PRESENT SOCIALIST GOVERNMENT WOULD MEAN THE END OF DEMOCRACY IN PORTUGAL. THE RIGHT-WING WOULD SOONER OR LATER STEP IN. HENCE THE PRESIDENT MUST MOVE. IT IS ALREADY TOO LATE FOR A PS-PSD COALITION TO WORK. THE ONLY POSSIBILITY IS A GOVERNMENT OF HIGH TECHNICAL COMPETENCE WHICH WOULD ENJOY THE FULL CONFIDENCE OF THE PRESIDENT. SUCH A GOVERNMENT SHOULD, HE THOUGHT, BE HEADED BY SOARES BUT IT SHOULD ALSO INCLUDE

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PSD PARTICIPATION IN THE ECONOMIC PORTFOLIOS.

5. FOREIGN MINISTER: IN RESPONSE TO QUESTIONS FROM THE SENATOR, FOREIGN MINISTER MEDEIROS FERREIRA DISCUSSED THE FOLLOWING:

(A) SPAIN: PORTUGAL BELIEVES THAT FOR THE FUTURE WELLBEING OF THE WEST IN GENERAL AND EUROPE IN PARTICULAR THE SPANISH EVOLUTION TO DEMOCRACY MUST BE A SMOOTH ONE. THE PURPOSE OF THE SUAREZ VISIT WAS TO DEMONSTRATE THE GOP'S CONFIDENCE IN THIS PROCESS. RELATIONS BETWEEN SPAIN AND PORTUGAL ARE "THE BEST." SOONER OR LATER SPAIN WILL ENTER INTO "EUROPEAN INSTITUTIONS," BUT ITS ENTRY SHOULD AWAIT FURTHER DEMOCRATIC EVOLUTION. THE ENTRANCE OF SPAIN INTO EUROPEAN INSTITUTIONS SUCH AS THE COMMON MARKET SHOULD UNDER NO CIRCUMSTANCES BE LINKED WITH PORTUGUESE ENTRY TO THESE SAME INSTITUTIONS. EACH COUNTRY SHOULD PROCEED ON ITS OWN MERITS.

(B) COMMON MARKET: MEDEIROS FERREIRA SAID PORTUGAL WISHED TO ENTER INTO THE POLITICAL COUNCILS OF THE COMMON MARKET AS SOON AS POSSIBLE, POSSIBLY EVEN BY 1978. IT WOULD THEN PARTICIPATE IN THE VARIOUS ECONOMIC SECTORS UNDER A PHASED PROGRAM WHICH MIGHT RANGE FROM FIVE TO TEN YEARS PER SECTOR. THE GOP RECOGNIZES IT IS NOT IN ITS OWN INTEREST TO BECOME INVOLVED IN ALL COMMON MARKET SECTORS SIMULTANEOUSLY.

(C) LAJES NEGOTIATIONS: FOREIGN MINISTER
SAID THE GOP'S GOAL IN THE LAJES BASE NEGOTIATIONS
IS "THE POSITIVE RENEWAL OF THE AGREEMENT." HE
NOTED, HOWEVER, THAT GOP HAS A PROBLEM IN THAT
AZOREANS FOR POLITICAL AND OTHER REASONS INTEND
TO PRESENT A "FULL NOTEBOOK OF DEMANDS." HE
SAID GOP WAS DISPOSED TOWARD "POSITIVE NEGOTIATIONS
TAKING INTO ACCOUNT THE DESIRES OF THE AZORES BUT
NOT TO THE POINT OF LETTING THOSE DESIRES RUPTURE
THE NEGOTIATIONS."
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(D) RELATIONS BETWEEN PORTUGAL AND ITS FORMER
COLONIES: MEDEIROS FERREIRA SAID THERE WAS NO
LONGER A "SOLID FRONT AMONG THE EX-COLONIES AGAINST
PORTUGAL." RELATIONS WITH GUINEA-BISSAU, SAO
TOME AND CAPE VERDE ARE EXCELLENT. HE NOTED THAT
THE GOP IS PLANNING TO SEND A SEPARATE AMBASSADOR
TO CAPE VERDE. THE FOREIGN MINISTER DESCRIBED
RELATIONS WITH ANGOLA AS "GOOD" ALTHOUGH THERE
ARE DIFFERENCES. THE GOP IS AWARE OF AN
ELEMENT IN THE ANGOLAN GOVERNMENT THAT INTENDS
TO COUNTERBALANCE RELATIONS WITH THE USSR AND
CUBA WITH RELATIONS WITH PORTUGAL. THOSE FORCES
THAT ARE DEPENDENT ON THE USSR FOR THEIR SUPPORT
WILL TRY TO PREVENT THIS. THUS PORTUGUESE-ANGOLAN
RELATIONS WILL HAVE THEIR UPS AND DOWNS. HE
POINTEDLY OMITTED ANY REFERENCE TO GOP-MOZAMBIQUE
RELATIONS.

6. REFUGEE CAMP VISIT: SENATOR BROOKE VISITED THE MOST
RECENTLY ESTABLISHED OF THE REFUGEE CENTERS IN THE
LISBON AREA, A PROJECT WITH SWEDISH AND NORWEGIAN
SUPPORT. THE SENATOR FOUND CAMP CONDITIONS VERY DIFFICULT
AND EXPRESSED HOPE THAT THE PEOPLE COULD BE MOVED TO
MORE PERMANENT AND ACCEPTABLE HOUSING.

7. THIS MEMCON HAS BEEN CLEARED WITH SENATOR BROOKE
BEFORE HE LEFT LISBON.

CARLUCCI

UNQTE: ROBINSON

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